

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-04 H-01
INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15
USIA-06 SAJ-01 IO-13 FEA-01 ERDA-05 AID-05 CEA-01
CIEP-01 COME-00 EB-07 FPC-01 INT-05 OMB-01 OES-06
STR-04 TRSE-00 ACDA-07 /126 W
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R 231300Z DEC 76
FM AMEMBASSY BELGRADE
TO SECSTATE WASHDC 9060
INFO USINT BAGHDAD
AMEMBASSY CAIRO
AMEMBASSY DAMASCUS
AMEMBASSY TEL AVIV
AMEMBASSY TAIPOLI

C O N F I D E N T I A L SECTION 1 OF 2 BELGRADE 8335

E.O. 11652: GDS
TAGS: PFOR, XF, IZ, YO
SUBJECT: SADAM HUSSAIN'S BELGRADE VISIT

1. SUMMARY: DESPITE STRONG FOREIGN AND YUGOSLAV PRESS
EMPHASIS ON POLITICAL ASPECTS OF IRACI DELEGATION'S RECENT
BELGRADE VISIT, A CENTRAL CONCERN OF BOTH PARTIES
APPEARS TO HAVE BEEN INTENSIFICATION OF ALREADY SUBSTANTIAL
YUGOSLAV-IRAQI ECONOMIC/COMMERCIAL TIES. AGREEMENTS WERE
SIGNED GOVERNING SALES OF IRAQI CRUDE OIL TO YUGOSLAVIA IN
1977, FORMATION OF A NUMBER OF SUBCOMMITTEES WITHIN
YUGOSLAV-IRAQI MIXED COMMITTEE FOR ECONOMIC COOPERATION AND
ESTABLISHMENT OF JOINT YUGOSLAV-IRAQI ENTERPRISE "TO PREPARE
A BID" FOR CONSTRUCTION OF PLANNED 559 KM BAGHDAD-AKASHAT
RAILWAY. MAJOR DEVELOPMENT, UNREPORTED OFFICIALLY, WAS CUT
IN IRAQI FINANCING OF YUGOSLAV OIL PURCHASES IN 1977.
OF POLITICAL NOTE, HUSSAIN DECRIED ONGOING ATTEMPTS
"TO NEUTRALIZE... PALESTINIAN RESISTANCE MOVEMENT...TO
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FORCE ACCEPTANCE OF SOLUTIONS IMPOSED BY GREAT IMPERIALIST
CONSPIRACY", CALLING IT "SAD SUCH PLANS ARE BEING CARRIED
OUT BY SOME PEOPLE FROM THE VERY REGION". BIJEDIC STRESSED
"INALIENABLE RIGHT" OF PLO TO PARTICIPATE IN "ALL STAGES"
OF ME SETTLEMENT "AS AN EQUAL PARTNER", WHILE PRESIDENT TITO
AND HUSSAIN" NOTED THE EFFORTS OF REACTIONARY FORCES TO

INTENSIFY INTER-ARAB DISPUTES AND LIQUIDATE THE PALESTINIAN LIBERATION MOVEMENT." END SUMMARY.

2. VICEPRES OF IRAQI REVOLUTIONARY COMMAND COUNCIL AND BAATH PARTY DEPSEC GEN SADAM HUSSAIN, TOGETHER WITH DELEGATION INCLUDING IRAQI LABOR, PLANNING AND FOREIGN MINISTERS, VISITED BELGRADE DEC. 12-14. WHILE PREPONDERANCE OF PRESS COVERAGE, BOTH YUGOSLAV AND FOREIGN, DWELT UPON POLITICAL SIDE OF DISCUSSIONS, PARTICULARLY RELATING TO EVENTS IN THE MIDDLE EAST, EMBASSY BELIEVES OVERRIDING CONCERN OF BOTH PARTIES WAS GROWTH AND DIVERSIFICATION OF ALREADY CONSIDERABLE ECONOMIC/COMMERCIAL RELATIONS. THE TALKS' BILATERAL ECONOMIC EMPHASIS WAS CONFIRMED BY LOCAL IRAQI DEP TO JORDANIAN CHARGE WHO CONVEY SAME TO EMBOFF.

3. MAJOR AGREEMENT SIGNED GOVERNS 1977 IRAQI CRUDE OIL SALES TO YUGOSLAVIA, REPORTEDLY ON "VERY FAVORABLE CREDIT TERMS". APART FROM YUGOSLAV AND (ACCORDING TO JORDANIAN CHARGE) IRAQI REFUSAL TO DISCLOSE PARTICULARS ON PRICE, EMBASSY HAS NO EVIDENCE THAT YUGOSLAVS ARE PURCHASING IRAQI OIL AT OTHER THAN WORLD MARKET PRICES. (SEE COMMENT FOR CREDIT). AGREEMENT ALSO REACHED ON FORMATION OF SUBCOMMITTEES OF YUGOSLAV-IRAQI MIXED COMMITTEE FOR ECON COOP IN AREAS OF AGRICULTURE AND IRRIGATION, INDUSTRIAL COOPERATION, PUBLIC WORKS, OIL, TRADE, PLANNING, "EXCHANGE OF EXPERIENCE" AND TRAINING OF CADRES. ALSO ANNOUNCED WERE --AGREEMENT ON ESTABLISHMENT OF JOINT ENTERPRISE BY "YUGOSLAV BUILDING INDUSTRY" AND IRAQI STATE BUILDING CORPORATION "TO PREPARE A BID" FOR CONSTRUCTION OF PLANNED 559 KM BAGHDAD-AKASHAT RAILWAY;
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--IRAQ'S INTENTION TO STUDY BID OF YUGOSLAV FIRMS FOR CONSTRUCTION OF THE FIRST PHASE OF TECHNOLOGICAL FACULTY IN BAGHDAD;
--YUGOSLAVIA'S EXPRESSED INTEREST IN CONSTRUCTING THE CONFERENCE HALL "AND OTHER BUILDINGS" FOR THE ANTICIPATED 1982 NON-ALIGNED SUMMIT CONFERENCE IN BAGHDAD; AND
--IRAQ'S INTEREST IN YUGOSLAVIA'S BUILDING "MORE HOTELS" IN IRAQ AND ITS REQUEST FOR A YUGOSLAV BID ON THE CONSTRUCTION OF A CLOTHING FACTORY, INCLUDING "TECHNOLOGY, DESIGN AND MARKETING".

4. THOUGH MYRIAD COLLECTION OF CURRENT NON-ALIGNED CONCERNS GIVEN THE STANDARD HEAVY PRESS PLAY ALONG WITH EQUALLY STANDARD EMPHASIS ON CLOSENESS OF VIEWS AND POLITICAL TIES BETWEEN "PROGRESSIVE, NON-ALIGNED"

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C O N F I D E N T I A L SECTION 2 OF 2 BELGRADE 8335

GOVERNMENTS AND RESPECTIVE RULING PARTIES, SOLE POLITICAL TOPIC OF ANY SUBSTANTIVE DISCUSSION APPEARS TO HAVE BEEN MIDDLE EAST. IN FORMAL TOAST TO IRAQIS, BIJEDIC SPOKE OF PLO'S "INALIENABLE RIGHT TO PARTICIPATE IN ALL STAGES OF THE SETTLEMENT OF THE MIDDLE EAST CRISIS AND THE PALESTINIAN QUESTION AS AN EQUAL PARTNER", AND REITERATED GOY'S LONG-STANDING SUPPORT FOR REALIZATION OF PALESTINIANS' RIGHT TO "INDEPENDENT" NATION OF THEIR OWN. IN RESPONSE TO BIJEDIC'S REMARKS, HUSSAIN SAID "WHAT IS INVOLVED (AT THIS TIME) IS AN ATTEMPT TO NEUTRALIZE AND SUPPRESS THE PALESTINIAN RESISTANCE MOVEMENT AND LEBANESE PROGRESSIVE FORCES IN ORDER TO FORCE THE ACCEPTANCE OF SOLUTIONS IMPOSED BY A GREAT IMPERIALIST CONSPIRACY. IT IS SAD THAT SUCH PLANS ARE BEING CARRIED OUT BY SOME PEOPLE FROM THE VERY REGION. THIS IS ONE MORE LINK IN THE PROCESS OF THE LIQUIDATION OF THE PALESTINIAN QUESTION AND THE MAINTENANCE OF ZIONIST AGRESSION..." HE ADDED "WE ARE WITNESSING A RACE TO
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DISCOVER A SOLUTION WHICH, OF COURSE, CAN NOT IN FACT BE OTHERWISE CHARACTERIZED THAN AS CAPITULATION." YUGOSLAV

PRESS REPORTS ON HUSSAIN'S TWO-HOUR MEETING WITH TITO STRESSED THE TWO "NOTED THE EFFORTS OF REACTIONARY FORCES TO INTENSIFY INTER-ARAB DISPUTES AND LIQUIDATE THE PALESTINIAN LIBERATION MOVEMENT. IT WAS ASSESSED THAT IN THE PRESENT STAGE OF THE LEBANESE CRISIS THE FOCUS MUST BE ON TERMINATING ALL HOSTILITIES IN LEBANON AND THE CONSISTENT IMPLEMENTATION OF THE ARAB RIYHAD AND CAIRO SUMMITS AND ON THE STRENGTHENING OF THE POSITION OF THE PALESTINIAN LIBERATION ORGANIZATION AS THE SOLE REPRESENTATIVE OF THE PALESTINIAN PEOPLE." YUGOSLAV AND IRAQI DIFFERENCES ON THE MIDDLE EAST APPEAR IMPLICIT IN HUSSAIN'S CRITICISM OF ON-GOING EVENTS IN THE REGION WHICH STEM DIRECTLY FROM THE RIYADH AND CAIRO SUMMITS AND THE HEAVY STRESS PLACED BY THE YUGOSLAVS ON THE NEED TO IMPLEMENT THOSE VERY SUMMIT DECISIONS. IT IS DOUBTFUL, HOWEVER, THAT THERE EXISTS ANY DISAGREEMENT ON THE NEED TO SHORE UP THE PALESTINIANS' SOMEWHAT FALTERING POSITION IN THE WAKE OF THE LEBANESE CONFLICT (AS YUGOSLAVS ENDEAVORED TO DO DURING RECENT ARAFAT VISIT TO BELGRADE).

5. COMMENT: WHILE THE ECONOMIC BEFEBITS YUGOSLAVIA DERIVES THROUGH ITS "NON-ALIGNED" RELATIONS WITH A HOST OF NATIONS ARE OFTEN LOST SIGHT OF IN THE CLOUD OF POLITICAL RHETORIC SURROUNDING THEM, THE ESSENCE OF YUGOSLAV-IRAQI TIES COULD HARDLY BE MORE APTLY SYMBOLIZED THAN BY YUGOSLAVIA'S CONSTRUCTING THE VERY CONFERENCE SITE FOR THE 1982 NASC IN BAGHDAD. THE TWO NATIONS' SIMILAR IDEOLOGIES AND NON-ALIGNED SOLIDARITY HAVE BEEN USED HEAVILY AND EFFECTIVELY BY THE YUGOSLAVS IN EXPANDING THEIR FOOTHOLD IN IRAQ. IRAQ HAS FOR SEVERAL YEARS BEEN YUGOSLAVIA'S NUMBER ONE TRADING PARTNER IN THE NON-ALIGNED WORLD AND YUGOSLAV-IRAQI COOPERATION SEEMS DESTINED FOR MORE GROWTH IN THE FUTURE. URAQ NEEDS THE MIDDLE-LEVEL TECHNOLOGY WHICH YUGOSLAVIA CAN SUPPLY AND

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YUGOSLAVIA NEEDS A RELIABLE PETROLEUM SUPPLIER OUTSIDE OF THE SOVIET UNION. HOWEVER, IRAQI COOPERATION AS AN OIL SUPPLIER HAS ITS LIMITS, AS THE USUALLY RELIABLE "EKONOMSKA POLITIKA" REPORTS IN ITS DECEMBER 10 ISSUE. ALTHOUGH IN THE PAST FEW YEARS YUGOSLAV PRESS HAS CONSISTENTLY REPORTED THAT IRAQI OIL SHIPMENTS WERE FINANCED ON "FAVORABLE TERMS", "VERY FAVORABLE CREDITS", ETC., NO SPECIFICS HAVE EVER BEEN RELEASED. THE EP ARTICLE STATES THAT IN 1975 AND 1976 \$200 MILLION OF YUGOSLAVIA'S \$390 MILLION OIL PURCHASES FROM IRAQ WERE FINANCED BY AN IRAQI CREDIT. THE 1977 CREDIT IS REPORTED AS ONLY \$50 MILLION. DESPITE THE PROTESTATIONS OF COOPERATION AND FRIENDSHIP, THE YUGOSLAVS WERE CLEARLY NOT ABLE TO CONVINCE THE IRAQIS TO RESTORE THE EARLIER FINANCING LEVEL FOR ANOTHER YEAR.

THE SHARP DROP IN THE CREDIT FOR 1977 SUGGESTS THAT
IRAQ INTENDS TO SUPPLY NO OIL ON CREDIT IN 1978.'

6. YUGOSLAV FIRMS(19 AT LAST COUNT) ARE INVOLVED IN
OVER ONE BILLION DOLLARS WORTH OF PROJECTS IN
IRAQ, MAINLY IN INDUSTRY, INFRASTRUCTURE AND TOURISM.
THE YUGOSLAVS PRIZE THEIR BUSINESS RELATIONSHIPS WITH
IRAQ AND WILL FIGHT TO KEEP AND EXPAND THEM SINCE,
DESPITE THEIR HEAVY PENETRATION IN THE IRAQI ECONOMY,
THEY STILL HAVE A LARGE UNFAVORABLE BALANCE OF TRADE
WITH THAT COUNTRY (E.G., \$112 MILLION YUGOSLAV EXPORTS
TO IRAQ AS OPPOSED TO \$387 MILLION IN IRAQI EXPORTS TO
YUGOSLAVIA IN 1975). THE PRESSURE IS ON THE YUGOSLAVS
TO MAINTAIN AND DEVELOP THEIR IRAQI MARKETS SINCE, WHILE
YUGOSLAVIA'S PARTICULAR EXPORT MIX (TECHNOLOGY AND
CONSTRUCTION SKILLS) IS TAILOR-MADE FOR A NEARBY AND
WEALTHY LDC, IRAQ'S OIL IS A GOOD DEAL MORE FUNGIBLE AND
COULD FIND MARKETS ELSEWHERE.
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